

**CITY OF ARNOLDS PARK
INDEPENDENT AUDITORS' REPORTS
PRIMARY GOVERNMENT
BASIC FINANCIAL STATEMENTS
OTHER INFORMATION
SCHEDULE OF FINDINGS
JUNE 30, 2020**

CITY OF ARNOLDS PARK

TABLE OF CONTENTS

		<u>Page No.</u>
Officials		1
Independent Auditors' Report		2 - 4
Basic Financial Statements:		
	<u>Exhibit</u>	
Government-wide Financial Statement:		
Cash Basis Statement of Activities and Net Position	A	5 - 6
Governmental Fund Financial Statement:		
Statement of Cash Receipts, Disbursements and		
Changes in Cash Balances	B	7 - 8
Proprietary Fund Financial Statement:		
Statement of Cash Receipts, Disbursements and		
Changes in Cash Balances	C	9
Notes to Financial Statements		10 - 23
Other Information - (Unaudited):		
Budgetary Comparison Schedule of Receipts, Disbursements and		
Changes in Balances - Budget and Actual (Cash Basis) - All		
Governmental Funds and Proprietary Funds		24 - 25
Notes to Other Information - Budgetary Reporting		26
Schedule of the City's Proportionate Share of the Net Pension Liability .		27 - 28
Schedule of City Contributions		29 - 30
Notes to Other Information - Pension Liability		31
Schedule of Indebtedness		32 - 33
Schedule of Receipts by Source and Disbursements by Function -		
All Governmental Funds		34 - 35
Combining Schedule of Cash Transactions - General Fund		36
Independent Auditors' Report on Internal Control over Financial		
Reporting and on Compliance and Other Matters Based on an Audit		
of Financial Statements Performed in Accordance with <i>Government</i>		
<i>Auditing Standards</i>		37 - 38
Schedule of Findings		39 - 41

CITY OF ARNOLDS PARK

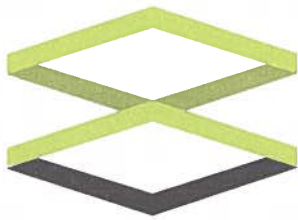
CITY OFFICIALS

(Before January 2020)

<u>NAME</u>	<u>TITLE</u>	<u>TERM EXPIRES</u>
Jim Hussong	Mayor	December 31, 2019
Matt Richter	Mayor Pro-Tem	December 31, 2021
John Adams	Council Member	December 31, 2019
Jason Christensen	Council Member	December 31, 2019
James D. Jensen	Council Member	December 31, 2021
Mitchell Watters	Council Member	December 31, 2021
Linda Nase	City Clerk	December 31, 2019
Kevin Sander	City Attorney	December 31, 2019

(After January 1, 2020)

<u>NAME</u>	<u>TITLE</u>	<u>TERM EXPIRES</u>
Jim Hussong	Mayor	December 31, 2021
Matt Richter	Mayor Pro-Tem	December 31, 2021
John Adams	Council Member	December 31, 2023
Jason Christensen	Council Member	December 31, 2023
James D. Jensen	Council Member	December 31, 2021
Mitchell Watters	Council Member	December 31, 2021
Linda Nase	City Clerk	December 31, 2021
Kevin Sander	City Attorney	December 31, 2021



WINTHER STAVE & CO | LLP
Certified Public Accountants

1316 West 18th Street
P.O. Box 175
Spencer, Iowa 51301-0175
Phone 712-262-3117
FAX 712-262-3159

www.winther-stave.com

1004 21st Street #4
P.O. Box 187
Milford, Iowa 51351-0187
Phone 712-338-2488
FAX 712-338-2510

INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and
Members of the City Council
City of Arnolds Park
Arnolds Park, IA 51331

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, business type activities, and each major fund of the primary government of the City of Arnolds Park, Iowa, as of and for the year ended June 30, 2020, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in Note 1. This includes determining the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. This includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control.

Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Basis for Adverse Opinion on Aggregate Discretely Presented Component Units

The financial statements referred to above do not include financial data for the City's legally separate component units. Accounting principles for the basis of accounting described in Note 1 require the financial data for the component units to be reported with the financial data of the City's primary government unless the City also issues financial statements for the financial reporting entity that include the financial data for its component units. The City has not issued such reporting entity financial statements. Because of this departure from accounting principles for the basis of accounting described in Note 1, the cash basis net position, receipts, and disbursements of the aggregate discretely presented component units would have been reported as \$583,785, \$977,937, and \$834,546, respectively.

Adverse Opinion on Aggregate Discretely Presented Component Units

In our opinion, because of the significance of the matter described in the "Basis for Adverse Opinion on the Aggregate Discretely Presented Component Units" paragraph, the financial statements referred to above do not present fairly the financial position of the aggregate discretely presented component units of the City of Arnolds Park, Iowa as of June 30, 2020, or the changes in financial position thereon for the year then ended in accordance with the basis of accounting described in Note 1.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, and each major fund of the primary government of the City of Arnolds Park, Iowa as of June 30, 2020, and the respective changes in its cash basis financial position for the year then ended in accordance with the basis of accounting described in Note 1.

Basis of Accounting

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

Other Matters

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statement of the primary government of the City of Arnolds Park. The other information, presented on pages 24 through 36, consisting of the Budgetary Comparison Information, the Schedule of the City's Proportionate Share of the Net Pension Liability, the Schedule of City Contributions, the Schedule of Indebtedness, the Schedule of Receipts by Source and Disbursements by Function, and the Combining Schedule of Cash Transactions, has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 8, 2020 on our consideration of the City of Arnolds Park's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Arnolds Park's internal control over financial reporting and compliance.

Winther, Starn Co., LLA

December 8, 2020
Spencer, Iowa

BASIC FINANCIAL STATEMENTS

CITY OF ARNOLDS PARK
CASH BASIS STATEMENT OF ACTIVITIES AND NET ASSETS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2020

		<u>Program Receipts</u>	
	<u>Disbursements</u>	<u>Charges for Service</u>	<u>Operating Grants, Contributions, and Restricted Interest</u>
FUNCTIONS/PROGRAMS:			
Governmental activities:			
Public safety	\$ 793,601	\$ 27,486	\$ -
Public works	784,114	290,755	150,547
Culture and recreation	240,538	75,118	34,512
Community and economic development	285,198	-	-
General government	486,581	-	-
Debt service	7,319,829	-	-
Capital projects	165,710	-	-
Total governmental activities	<u>10,075,571</u>	<u>393,359</u>	<u>185,059</u>
Business type activities:			
Water	445,168	674,427	-
Sewer	<u>274,302</u>	<u>280,642</u>	-
Total business type activities	<u>719,470</u>	<u>955,069</u>	-
TOTAL	<u>\$10,795,041</u>	<u>\$1,348,428</u>	<u>\$ 185,059</u>

GENERAL RECEIPTS AND TRANSFERS:

Property and other city taxes levied for:

General purposes

Debt service

Tax increment financing

Local option sales tax

Hotel/motel tax

Other city tax

Bonds proceeds

Miscellaneous

Transfers

TOTAL GENERAL RECEIPTS AND TRANSFERS

Change in cash basis net position

Cash basis net position - beginning of year .

CASH BASIS NET POSITION - END OF YEAR

CASH BASIS NET POSITION:

Restricted, expendable:

Streets

Urban renewal purpose

Debt service

Capital projects

Unrestricted

TOTAL CASH BASIS NET POSITION

See Notes to Financial Statements

Exhibit A

Net (Disbursements) Receipts and Changes in Cash Basis Net Assets		
Governmental Activities	Business Type Activities	Total
\$ (766,115)	\$ -	\$ (766,115)
(342,812)	-	(342,812)
(130,908)	-	(130,908)
(285,198)	-	(285,198)
(486,581)	-	(486,581)
(7,319,829)	-	(7,319,829)
(165,710)	-	(165,710)
<u>(9,497,153)</u>	<u>-</u>	<u>(9,497,153)</u>
-	229,259	229,259
-	6,340	6,340
-	<u>235,599</u>	<u>235,599</u>
<u>(9,497,153)</u>	<u>235,599</u>	<u>(9,261,554)</u>
1,157,459	-	1,157,459
156,134	-	156,134
836,778	-	836,778
294,417	-	294,417
734,727	-	734,727
29,516	-	29,516
6,643,952	-	6,643,952
238,767	-	238,767
<u>226,247</u>	<u>(226,247)</u>	<u>-</u>
<u>10,317,997</u>	<u>(226,247)</u>	<u>10,091,750</u>
820,844	9,352	830,196
<u>1,979,143</u>	<u>239,387</u>	<u>2,218,530</u>
<u>\$ 2,779,987</u>	<u>\$ 248,739</u>	<u>\$ 3,048,726</u>
\$ 129,920	\$ -	\$ 129,920
585,936	-	585,936
87,695	-	87,695
1,037,690	-	1,037,690
<u>958,746</u>	<u>248,739</u>	<u>1,207,485</u>
<u>\$ 2,779,987</u>	<u>\$ 248,739</u>	<u>\$ 3,048,726</u>

See Notes to Financial Statements

CITY OF ARNOLDS PARK
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND
CHANGES IN CASH BALANCES
GOVERNMENTAL FUNDS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2020

		Special Revenue	
	General	Road Use Tax	Urban Renewal Tax Increment
RECEIPTS:			
Property tax	\$ 1,157,459	\$ -	\$ -
Tax increment financing	-	-	836,778
Other city tax	1,058,660	-	-
Licenses and permits	35,361	-	-
Intergovernmental	34,512	144,734	-
Charges for service	393,359	-	-
Miscellaneous	94,667	5,813	-
TOTAL RECEIPTS	<u>2,774,018</u>	<u>150,547</u>	<u>836,778</u>
DISBURSEMENTS:			
Operating:			
Public safety	793,601	-	-
Public works	647,364	136,750	-
Culture and recreation	240,538	-	-
Community and economic development	285,198	-	-
General government	486,581	-	-
Debt service	-	-	-
Capital projects	-	-	-
TOTAL DISBURSEMENTS	<u>2,453,282</u>	<u>136,750</u>	<u>-</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER (UNDER) DISBURSEMENTS	<u>320,736</u>	<u>13,797</u>	<u>836,778</u>
OTHER FINANCING SOURCES (USES):			
Bond proceeds	-	-	-
Transfers in (out)	(619,984)	-	(703,994)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(619,984)</u>	<u>-</u>	<u>(703,994)</u>
CHANGE IN CASH BALANCES	(299,248)	13,797	132,784
CASH BALANCES - BEGINNING OF YEAR	<u>1,257,994</u>	<u>116,123</u>	<u>453,152</u>
CASH BALANCES - END OF YEAR	<u>\$ 958,746</u>	<u>\$ 129,920</u>	<u>\$ 585,936</u>
CASH BASIS FUND BALANCES:			
Restricted for:			
Streets	\$ -	\$ 129,920	\$ -
Urban renewal purpose	-	-	585,936
Debt service	-	-	-
Capital projects funds	-	-	-
Unassigned	<u>958,746</u>	<u>-</u>	<u>-</u>
TOTAL CASH BASIS FUND BALANCES	<u>\$ 958,746</u>	<u>\$ 129,920</u>	<u>\$ 585,936</u>

<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total</u>
\$ 156,134	\$ -	\$ 1,313,593
-	-	836,778
-	-	1,058,660
-	-	35,361
-	-	179,246
-	-	393,359
58,516	50,223	209,219
<u>214,650</u>	<u>50,223</u>	<u>4,026,216</u>
-	-	793,601
-	-	784,114
-	-	240,538
-	-	285,198
-	-	486,581
7,319,829	-	7,319,829
-	165,710	165,710
<u>7,319,829</u>	<u>165,710</u>	<u>10,075,571</u>
<u>(7,105,179)</u>	<u>(115,487)</u>	<u>(6,049,355)</u>
6,143,952	500,000	6,643,952
984,157	566,068	226,247
<u>7,128,109</u>	<u>1,066,068</u>	<u>6,870,199</u>
22,930	950,581	820,844
64,765	87,109	1,979,143
<u>\$ 87,695</u>	<u>\$ 1,037,690</u>	<u>\$ 2,799,987</u>
\$ -	\$ -	\$ 129,920
-	-	585,936
87,695	-	87,695
-	1,037,690	1,037,690
-	-	958,746
<u>\$ 87,695</u>	<u>\$ 1,037,690</u>	<u>\$ 2,799,987</u>

See Notes to Financial Statements

CITY OF ARNOLDS PARK
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND
CHANGES IN CASH BALANCES
PROPRIETARY FUNDS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2020

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
OPERATING RECEIPTS:			
Charges for service	\$ 674,427	\$ 280,642	\$ 955,069
TOTAL OPERATING RECEIPTS	<u>674,427</u>	<u>280,642</u>	<u>955,069</u>
OPERATING DISBURSEMENTS:			
Business-type activities	445,168	274,302	719,470
TOTAL OPERATING DISBURSEMENTS	<u>445,168</u>	<u>274,302</u>	<u>719,470</u>
EXCESS OF OPERATING RECEIPTS OVER OPERATING DISBURSEMENTS	229,259	6,340	235,599
TRANSFERS OUT	<u>(226,247)</u>	-	<u>(226,247)</u>
CHANGE IN CASH BALANCES	3,012	6,340	9,352
CASH BALANCES - BEGINNING OF YEAR	<u>221,214</u>	<u>18,173</u>	<u>239,387</u>
CASH BALANCES - END OF YEAR	<u>\$ 224,226</u>	<u>\$ 24,513</u>	<u>\$ 248,739</u>
CASH BASIS FUND BALANCES:			
Unrestricted	<u>\$ 224,226</u>	<u>\$ 24,513</u>	<u>\$ 248,739</u>

NOTES TO FINANCIAL STATEMENTS

CITY OF ARNOLDS PARK
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Arnolds Park is a political subdivision of the State of Iowa located in Dickinson County. It was first incorporated in 1897 and operates under the Home Rule provisions of the Constitution of Iowa and under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens including public safety, public works, culture and recreation, community and economic development, public improvements, and general government services. The City also provides water and sewer utilities for its citizens.

A. Reporting Entity

For financial reporting purposes, the City is considered a primary government and has excluded the financial data of its component units, Central Water System and Arnolds Park/Okoboji Fire and Rescue. A primary government is a legal entity or body politic and includes all funds, organizations, institutions, agencies, departments, and offices that are not legally separate. A component unit is a legally separate entity for which the City is financially accountable. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the City. Since these financial statements do not include the City's component units, they do not purport to be prepared in conformity with accounting principles generally accepted in the United States of America as they relate to the exclusion of the component units described below:

The City participates with the City of Okoboji in the operation of Central Water System (System), which is organized under Chapter 28E of the Code of Iowa and provides water system services to the two municipalities and an unrelated regional water system. The System is operated by the parties through a joint Board of Directors consisting of one member from each city council, or such other individual as that council shall designate, and a third member appointed and approved by a majority vote of the city councils of the municipalities. Water services purchased by the City from the System during the year ended June 30, 2020 totaled \$295,351, approximately 52% of total System revenues. The financial statements of this component unit are separately audited and are presented on the cash basis of accounting. Complete financial statements of Central Water System can be obtained from their administrative offices.

The City participates with the City of Okoboji in the operation of Arnolds Park/Okoboji Fire and Rescue (Department), which is organized under Chapter 28E of the Code of Iowa and provides fire and rescue services to the two municipalities. The Department is operated by the parties through a joint Board of Directors consisting of one member from each city council, or such other individual as that council shall designate, and a third member appointed and approved by a majority vote of the city councils of the municipalities. The City's contributions to the Department during the year ended June 30, 2020 totaled \$150,263, approximately 50% of total Department operating revenue. The financial statements of this component unit are separately audited and are presented on the cash basis of accounting. Complete financial statements of Arnolds Park/Okoboji Fire and Rescue can be obtained from their administrative offices.

CITY OF ARNOLDS PARK
NOTES TO FINANCIAL STATEMENTS - Continued
YEAR ENDED JUNE 30, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Jointly Governed Organizations

The City also participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Dickinson County Sanitary Landfill Commission, Dickinson County Water Quality Commission, Dickinson County Assessor's Conference Board, Dickinson County Joint E911 Service Board, and Dickinson County Trails Board.

B. Basis of Presentation

Government-wide Financial Statement - The Cash Basis Statement of Activities and Net Position reports information on all of the nonfiduciary activities of the primary government of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental receipts, are reported separately from business type activities, which rely to a significant extent on fees and charges for services.

The Cash Basis Statement of Activities and Net Position presents the City's nonfiduciary net position. Net position is reported in two categories:

Expendable restricted net position results when constraints placed on the use of cash balances are either externally imposed or are imposed by law through constitutional provisions or enabling legislation. Enabling legislation did not result in any restricted net position.

Unrestricted net position consists of cash balances not meeting the definition of the preceding category. Unrestricted net position is often subject to constraints imposed by management which can be removed or modified.

The Cash Basis Statement of Activities and Net Position demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and (2) grants, contributions, and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements - Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs that are not paid from other funds.

CITY OF ARNOLDS PARK
NOTES TO FINANCIAL STATEMENTS - Continued
YEAR ENDED JUNE 30, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

B. Basis of Presentation - Continued

Special Revenue:

The Road Use Tax Fund is used to account for the road use tax allocation from the State of Iowa to be used for road construction and maintenance.

The Urban Renewal Tax Increment Fund is used to account for tax increment financing collections and repayment of tax increment financing indebtedness.

The Debt Service Fund is utilized to account for property tax and other receipts to be used for the payment of interest and principal on the City's general long-term debt.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities.

The City reports the following major proprietary funds:

The Enterprise, Water Fund accounts for the operation and maintenance of the City's water system.

The Enterprise, Sewer Fund accounts for the operation and maintenance of the City's sanitary sewer system.

C. Measurement Focus and Basis of Accounting

The City of Arnolds Park maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with accounting principles generally accepted in the United States of America.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants and general receipts. Thus, when program disbursements are paid, there are both restricted and unrestricted cash basis net position available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by general receipts.

When a disbursement in governmental funds can be paid using either restricted or unrestricted resources, the City's policy is generally to first apply the disbursement toward restricted fund balance and then to less-restrictive classifications - committed, assigned and then unassigned fund balances.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

CITY OF ARNOLDS PARK
NOTES TO FINANCIAL STATEMENTS - Continued
YEAR ENDED JUNE 30, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

D. Governmental Cash Basis Fund Balances

In the governmental fund financial statements, cash basis fund balances are classified as follows:

Restricted - Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors, or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Unassigned - All amounts not included in the restricted classification.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information.

F. Management's Review

Management has evaluated subsequent events through the date of the independent auditors' report, which is the date the financial statements were available to be issued.

2. CASH AND POOLED INVESTMENTS

The City's deposits in banks at June 30, 2020 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high-rated commercial paper; perfected repurchase agreements; and certain registered open-end management investment companies.

Interest rate risk - The City's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) to instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of the City.

3. BONDS AND NOTES PAYABLE

A summary of changes in bonds and notes payable for the year ended June 30, 2020 is as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>	<u>Due Within One Year</u>
Governmental activities:					
General obligation bond	<u>\$11,385,000</u>	<u>\$6,285,000</u>	<u>\$6,975,000</u>	<u>\$10,695,000</u>	<u>\$1,195,000</u>

CITY OF ARNOLDS PARK
NOTES TO FINANCIAL STATEMENTS - Continued
YEAR ENDED JUNE 30, 2020

3. BONDS AND NOTES PAYABLE - Continued

General Obligation Bonds

A summary of the City's June 30, 2020 general obligation bonds payable is as follows:

Year Ending June 30,	Issued 3-29-2012 Series 2012			Issued 4-6-2016 Series 2016A		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest
2021	1.90%	\$ 250,000	\$ 21,225	2.00%	\$ 420,000	\$ 14,000
2022	1.95	235,000	16,975	2.00	280,000	5,600
2023	2.00	300,000	12,510			
2024	2.05	310,000	6,510			
2025						
2026 - 2030						
2031 - 2035						
Total		<u>\$1,095,000</u>	<u>\$ 57,220</u>		<u>\$ 700,000</u>	<u>\$ 19,600</u>

Year Ending June 30,	Issued 4-16-2016 Series 2016B			Issued 6-15-2017 Series 2017		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest
2021	1.75%	\$ 20,000	\$ 54,644	2.00%	\$ 60,000	\$ 18,378
2022	1.75	20,000	54,294	1.75	60,000	17,328
2023	1.75	20,000	53,944	1.75	60,000	16,278
2024	1.75	25,000	53,594	1.75	60,000	14,988
2025	1.75	25,000	53,156	2.15	60,000	13,698
2026 - 2030	2.125-2.75	2,225,000	136,668	2.15-3.00	300,000	42,000
2031 - 2035				3.00	<u>115,000</u>	<u>3,150</u>
Total		<u>\$2,335,000</u>	<u>\$406,300</u>		<u>\$ 715,000</u>	<u>\$125,820</u>

Year Ending June 30,	Issued 6-26-2019 Series 2019			Total		
	Interest Rates	Principal	Interest	Principal	Interest	Total
2021	3.00%	\$ 445,000	\$ 175,500	\$ 1,195,000	\$ 283,747	\$ 1,478,747
2022	3.00	450,000	162,150	1,045,000	256,347	1,301,347
2023	3.00	475,000	148,650	855,000	231,382	1,086,382
2024	3.00	450,000	134,400	845,000	209,492	1,054,492
2025	3.00	500,000	120,900	585,000	187,754	772,754
2026 - 2030	3.00	1,750,000	419,250	4,275,000	597,918	4,872,918
2031 - 2035	3.00	<u>1,780,000</u>	<u>153,000</u>	<u>1,895,000</u>	<u>156,150</u>	<u>2,051,150</u>
Total		<u>\$5,850,000</u>	<u>\$1,313,850</u>	<u>\$10,695,000</u>	<u>\$1,922,790</u>	<u>\$12,617,790</u>

CITY OF ARNOLDS PARK
NOTES TO FINANCIAL STATEMENTS - Continued
YEAR ENDED JUNE 30, 2020

3. BONDS AND NOTES PAYABLE - Continued

General Obligation Bonds - Continued

On March 29, 2012, the City issued \$3,515,000 of general obligation bonds with interest rates ranging from 1.50% to 2.05% per annum. The bonds were issued to refund 2005A and 2005B series general obligation bonds. During the year ended June 30, 2020, the City paid \$290,000 of principal and \$25,575 of interest on the bonds.

On April 6, 2016, the City issued \$1,155,000 of general obligation bonds with an interest rate of 2.00% per annum. The bonds were issued to refund 2010B series general obligation bonds. During the year ended June 30, 2020, the City paid \$125,000 of principal and \$16,500 of interest on the bonds.

On April 6, 2016, the City issued \$2,405,000 of general obligation bonds with interest rates ranging from 1.75% to 2.75% per annum. The bonds were issued to refund 2010A series general obligation bonds. During the year ended June 30, 2020, the City paid \$20,000 of principal and \$55,044 of interest on the bonds.

On June 15, 2017, the City issued \$950,000 of general obligation bonds with interest rates ranging from 1.75% to 3.00% per annum. The bonds were issued for street improvements. During the year ended June 30, 2020, the City paid \$60,000 of principal and \$19,428 of interest on the bonds.

On September 26, 2019, the City issued \$6,285,000 of general obligation bonds with an interest rate of 3.00% per annum. The bonds were issued to refund 2014A, 2014B, and 2014C series general obligation bonds. During the year ended June 30, 2020, the City paid \$435,000 of principal and \$128,319 of interest on the bonds.

4. PENSION PLAN

Plan Description - IPERS membership is mandatory for employees of the City, except for those covered by another retirement system. Employees of the City are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at PO Box 9117, Des Moines, IA 50306-9117 or at www.ipers.org.

IPERS benefits are established under Iowa Code chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general information purposes only. Refer to the plan documents for more information.

CITY OF ARNOLDS PARK
NOTES TO FINANCIAL STATEMENTS - Continued
YEAR ENDED JUNE 30, 2020

4. PENSION PLAN - Continued

Pension Benefits - A Regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, any time after reaching age 62 with 20 or more years of covered employment, or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. These qualifications must be met on the member's first month of entitlement to benefits. Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

- A multiplier based on years of service.
- The member's highest five-year average salary, except members with service before June 30, 2012 will use the highest three-year average salary as of that date if it is greater than the highest five-year average salary.

Protection occupation members may retire at normal retirement age, which is generally age 55, and may retire any time after reaching age 50 with 22 or more years of covered employment.

The formula used to calculate a protection occupation member's monthly IPERS benefit includes:

- 60% of average salary after completion of 22 years of service, plus an additional 1.5% of average salary for more than 22 years of service but not more than 30 years of service.
- The member's highest three-year average salary.

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25% for each month the member receives benefits before the member's earliest normal retirement age. For service earned on or after July 1, 2012, the reduction is 0.50% for each month that the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

Disability and Death Benefits - A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

CITY OF ARNOLDS PARK
NOTES TO FINANCIAL STATEMENTS - Continued
YEAR ENDED JUNE 30, 2020

4. PENSION PLAN - Continued

Contributions - Contribution rates are established by IPERS following the annual actuarial valuation, which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. State statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll, based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2020, pursuant to the required rate, Regular members contributed 6.29% of pay and the City contributed 9.44% for a total rate of 15.73%. Protection occupation members contributed 6.61% of covered payroll, and the City contributed 9.91% for a total rate of 16.52%.

The City's contributions to IPERS for the year ended June 30, 2020 totaled \$83,934.

Net Pension Liability, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2020, the City reported a liability of \$319,111 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's share of contributions to IPERS relative to the contributions of all IPERS participating employers. At June 30, 2019, the City's proportion was .0055108% which was a decrease of .000177% from its proportion measured as of June 30, 2018.

For the year ended June 30, 2020, the City's pension expense, deferred outflows of resources, and deferred inflows of resources totaled \$104,686, \$95,184, and \$119,401, respectively.

There were no non-employer contributing entities to IPERS.

CITY OF ARNOLDS PARK
NOTES TO FINANCIAL STATEMENTS - Continued
YEAR ENDED JUNE 30, 2020

4. PENSION PLAN - Continued

Actuarial Assumptions - The total pension liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement as follows:

Rate of inflation (effective June 30, 2017)	2.60% per annum.
Rates of salary increase (effective June 30, 2017)	3.25 to 16.25%, average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 2017)	7.00%, compounded annually, net of investment expense, including inflation.
Wage Growth (effective June 30, 2017)	3.25% per annum, based on 2.60% inflation and 0.65% real wage inflation.

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an economic assumption study dated March 24, 2017, and a demographic assumption study dated June 28, 2018.

Mortality rates used in the 2019 valuation were based on the RP-2014 Employee and Health Annuitant Tables with MP-2017 generational adjustments.

The long-term expected rate of return on IPERS' investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic equity	22.0%	5.60%
International equity	15.0	6.08
Global smart beta equity	3.0	5.82
Core plus fixed income	27.0	1.71
Public credit	3.5	3.32
Public real assets	7.0	2.81
Cash	1.0	(.21)
Private equity	11.0	10.13
Private real assets	7.5	4.76
Private credit	<u>3.0</u>	3.01
Total	<u>100.0%</u>	

CITY OF ARNOLDS PARK
NOTES TO FINANCIAL STATEMENTS - Continued
YEAR ENDED JUNE 30, 2020

4. PENSION PLAN - Continued

Discount Rate - The discount rate used to measure the total pension liability was 7.0%. The projection of cash flows used to determine the discount rate assumed employee contributions will be made at the contractually required rate and contributions from the City will be made at contractually required rates, actuarially determined. Based on those assumptions, IPERS' fiduciary net position was projected to be available to make all projected future benefit payments to current active and inactive employees. Therefore, the long-term expected rate of return on IPERS' investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.0%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1% lower (6.0%) or 1% higher (8.0%) than the current rate.

	1% Decrease <u>(6.0%)</u>	Discount Rate <u>(7.0%)</u>	1% Increase <u>(8.0%)</u>
City's proportionate share of the net pension liability	\$ <u>806,255</u>	\$ <u>319,111</u>	\$ <u>(89,201)</u>

Pension Plan Fiduciary Net Position - Detailed information about the IPERS' fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at www.ipers.org.

CITY OF ARNOLDS PARK
NOTES TO FINANCIAL STATEMENTS - Continued
YEAR ENDED JUNE 30, 2020

5. OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Plan Description - The City operates a single-employer health plan which provides medical/prescription drug benefits for employees, retirees, and their spouses. Group insurance benefits are established under Iowa Code Chapter 509A.13. The City currently finances the benefit plan on a pay-as-you-go basis. For the year ended June 30, 2020, the City contributed \$171,821 and plan members eligible for benefits contributed \$18,114 to the plan. At June 30, 2020, no assets have been accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

OPEB Benefits - Individuals who are employed by the City and are eligible to participate in the group health plan are eligible to continue healthcare benefits upon retirement. Retirees under age 65 pay the same premium for the medical/prescription drug benefits as active employees, which results in an implicit rate subsidy.

Retired participants must be age 55 or older at retirement, with the exception of special service participants who must be age 50 with 22 years of services. At June 30, 2020, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries	
currently receiving benefit payments	0
Active employees	<u>12</u>
Total	<u>12</u>

6. COMPENSATED ABSENCES

City employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned compensated absences payable to employees at June 30, 2020 is \$24,547 primarily relating to the General Fund. This liability has been computed based on rates of pay as of June 30, 2020.

Sick leave is not payable upon termination, retirement or death, therefore the accumulated sick leave is not presented as part of these financial statements.

7. RISK MANAGEMENT

The City is a member of the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 779 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine, and boiler/machinery. There have been no reductions in insurance coverage from prior years.

CITY OF ARNOLDS PARK
NOTES TO FINANCIAL STATEMENTS - Continued
YEAR ENDED JUNE 30, 2020

7. RISK MANAGEMENT - Continued

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual casualty operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses, and reinsurance expenses estimated for the fiscal year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained at a level determined by the Board not to exceed 300% of basis rate.

The Pool also provides property coverage. Members who elect such coverage make annual property operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses, reinsurance premiums, losses and loss expenses for property risks estimated for the fiscal year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

The City's property and casualty contributions to the Pool are recorded as disbursements from its operating funds at the time of payment to the Pool. The City's contributions to the Pool for the year ended June 30, 2020 were \$33,958.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$500,000 per claim. Claims exceeding \$500,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the City's risk-sharing certificate. Property and automobile physical damage risks are retained by the Pool up to \$250,000 each occurrence, each location. Property risks exceeding \$250,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the City's risk-sharing certificate.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim, property loss, or series of claims or losses exceeds the amount of risk-sharing protection provided by the City's risk-sharing certificate, or in the event a casualty claim, property loss or series of claims or losses exhausts the Pool's fund and any excess risk-sharing recoveries, then payment of such claims or losses shall be the obligation of the respective individual member against whom the claim was made or the loss was incurred. As of June 30, 2020, settled claims have not exceeded the risk pool or reinsurance coverage since the Pool's inception.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days' prior written notice may withdraw from the Pool. Upon withdrawal, payments for all casualty claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Upon withdrawal, a formula set forth in the Pool's intergovernmental contract with its members is applied to determine the amount (if any) to be refunded to the withdrawing member.

CITY OF ARNOLDS PARK
NOTES TO FINANCIAL STATEMENTS - Continued
YEAR ENDED JUNE 30, 2020

7. RISK MANAGEMENT - Continued

The City also carries commercial insurance purchased from other insurers for coverage associated with workers compensation. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

8. INTERFUND TRANSFERS

The detail of interfund transfers for the year ended June 30, 2020 is as follows:

<u>Transfers to</u>	<u>Transfer from</u>	<u>Amount</u>
Capital Projects	General	\$ 521,068
	Enterprise:	
	Water	<u>45,000</u>
Total transfers to Capital Projects Fund		<u>566,068</u>
Debt Service	Special Revenue:	
	Urban Renewal Tax Increment	703,994
	Enterprise:	
	Water	181,247
	General	<u>98,916</u>
Total transfers to Debt Service Fund		<u>984,157</u>
Total		<u>\$1,550,225</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse the resources.

9. RELATED PARTY TRANSACTIONS

The City had business transactions between the City and City officials totaling \$109 during the year ended June 30, 2020.

10. LITIGATION

The City is party to routine legal proceedings and litigation arising in the normal course of business. In the opinion of management, the outcome of such actions will have no material impact on the City's financial condition.

CITY OF ARNOLDS PARK
NOTES TO FINANCIAL STATEMENTS - Continued
YEAR ENDED JUNE 30, 2020

11. COMMITMENTS AND CONTINGENCIES

At June 30, 2020, the City has entered into construction contracts for various infrastructure projects totaling approximately \$338,000, of which approximately \$241,000 remained outstanding. The balance on the contracts will be paid as work on the projects progresses.

12. RISKS AND UNCERTAINTIES

At year-end, economic activity in the United States continued to experience significant disruption resulting from uncertainty caused by the world-wide coronavirus pandemic. The City's management is closely monitoring its operations, liquidity, and financial resources and is actively working to minimize the current and future impact of this unprecedented situation. Management has concluded that while it is reasonably possible there could be a material negative effect on the financial statements, the specific impact is not readily determinable as of the date of these financial statements. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

13. TAX ABATEMENTS

Governmental Accounting Standards Board Statement No. 77 defines tax abatements as a reduction in tax receipts that results from an agreement between one or more governments and an individual or entity in which (a) one or more governments promise to forego tax receipts to which they are otherwise entitled and (b) the individual or entity promises to take specific action after the agreement has been entered into that contributes to economic development or otherwise benefits the governments or the citizens of those governments.

City Tax Abatements - For the year ended June 30, 2020, the City had no tax abatements.

Tax Abatements of Other Entities - The City's property tax receipts were not reduced under agreements entered into by other entities.

OTHER INFORMATION

CITY OF ARNOLDS PARK
BUDGETARY COMPARISON SCHEDULE OF
RECEIPTS, DISBURSEMENTS AND CHANGES IN BALANCES -
BUDGET AND ACTUAL (CASH BASIS) - ALL GOVERNMENTAL FUNDS
AND PROPRIETARY FUNDS
OTHER INFORMATION (UNAUDITED)
YEAR ENDED JUNE 30, 2020

	Governmental Funds <u>Actual</u>	Proprietary Funds <u>Actual</u>	Less Funds not Required to be <u>Budgeted</u>
RECEIPTS:			
Property tax	\$ 1,313,593	\$ -	\$ -
Tax increment financing	836,778	-	-
Other city tax	1,058,660	-	-
Licenses and permits	35,361	-	-
Intergovernmental	179,246	-	-
Charges for service	393,359	955,069	-
Miscellaneous	209,219	-	-
TOTAL RECEIPTS	<u>4,026,216</u>	<u>955,069</u>	<u>-</u>
DISBURSEMENTS:			
Public safety	793,601	-	-
Public works	784,114	-	-
Culture and recreation	240,538	-	-
Community and economic development	285,198	-	-
General government	486,581	-	-
Debt service	7,319,829	-	6,045,000
Capital projects	165,710	-	-
Business-type activities	-	719,470	-
TOTAL DISBURSEMENTS	<u>10,075,571</u>	<u>719,470</u>	<u>6,045,000</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER (UNDER) DISBURSEMENTS	(6,049,355)	235,599	(6,045,000)
OTHER FINANCING SOURCES (USES) - NET	<u>6,870,199</u>	<u>(226,247)</u>	<u>6,045,000</u>
EXCESS (DEFICIENCY) OF RECEIPTS AND OTHER FINANCING SOURCES OVER (UNDER) DISBURSEMENTS AND OTHER FINANCING USES	820,844	9,352	-
CASH BALANCES - BEGINNING OF YEAR	<u>1,979,143</u>	<u>239,387</u>	<u>-</u>
CASH BALANCES - END OF YEAR	<u>\$ 2,799,987</u>	<u>\$ 248,739</u>	<u>\$ -</u>

<u>Total</u>	<u>Budgeted Amounts</u>		<u>Final to Total Variance</u>
	<u>Original</u>	<u>Final</u>	
\$ 1,313,593	\$ 1,298,487	\$ 1,298,487	\$ 15,106
836,778	879,294	879,294	(42,516)
1,058,660	1,016,961	1,016,961	41,699
35,361	21,250	21,250	14,111
179,246	285,019	285,019	(105,773)
1,348,428	1,321,200	1,336,200	12,228
209,219	111,959	111,959	97,260
<u>4,981,285</u>	<u>4,934,170</u>	<u>4,949,170</u>	<u>32,115</u>
793,601	728,372	893,372	99,771
784,114	778,395	805,895	21,781
240,538	243,562	263,562	23,024
285,198	292,993	297,993	12,795
486,581	488,982	488,982	2,401
1,274,829	1,165,150	7,272,895	5,998,066
165,710	204,665	204,665	38,955
719,470	774,559	784,559	65,089
<u>4,750,041</u>	<u>4,676,678</u>	<u>11,011,923</u>	<u>6,261,882</u>
231,244	257,492	(6,062,753)	6,293,997
<u>598,952</u>	<u>-</u>	<u>6,643,952</u>	<u>(6,045,000)</u>
830,196	257,492	581,199	<u>\$ 248,997</u>
<u>2,218,530</u>	<u>2,166,810</u>	<u>2,166,810</u>	
<u>\$ 3,048,726</u>	<u>\$ 2,424,302</u>	<u>\$ 2,748,009</u>	

CITY OF ARNOLDS PARK
NOTES TO OTHER INFORMATION - BUDGETARY REPORTING
JUNE 30, 2020

The budgetary comparison is presented in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, and business-type activities. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Fund, and Proprietary Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted disbursements by \$6,335,245. The budget amendment is reflected in the final budgeted amounts.

CITY OF ARNOLDS PARK
SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
LAST SIX FISCAL YEARS *
(IN THOUSANDS)

OTHER INFORMATION (UNAUDITED)

	<u>2020</u>	<u>2019</u>
City's proportion of the net pension liability005511%	.005687%
City's proportionate share of the net pension liability	\$ 319	\$ 360
City's covered-employee payroll	\$ 812	\$ 771
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	39.28%	46.69%
City's net position as a percentage of the total pension liability	85.45%	83.62%

* In accordance with GASB Statement No. 68, the amounts presented for each fiscal year were determined as of June 30 of the preceding fiscal year.

<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
.006184%	.005863%	.0048818%	.00424489%
\$ 412	\$ 369	\$ 241	\$ 168
\$ 788	\$ 748	\$ 721	\$ 707
52.28%	49.33%	33.43%	23.76%
82.21%	81.82%	85.19%	87.61%

CITY OF ARNOLDS PARK
SCHEDULE OF CITY CONTRIBUTIONS

IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
LAST TEN FISCAL YEARS
(IN THOUSANDS)

OTHER INFORMATION (UNAUDITED)

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Statutorily required contribution	\$ 84	\$ 79	\$ 72	\$ 74
Contributions in relation to the statutorily required contribution	<u>(84)</u>	<u>(79)</u>	<u>(72)</u>	<u>(74)</u>
Contribution deficiency (excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
City's covered-employee payroll	\$ 849	\$ 812	\$ 771	\$ 788
Contributions as a percentage of covered-employee payroll	9.89%	9.72%	9.34%	9.39%

<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
\$ 70	\$ 69	\$ 67	\$ 63	\$ (57)	\$ 53
<u>(70)</u>	<u>(69)</u>	<u>(67)</u>	<u>(63)</u>	<u>(57)</u>	<u>(53)</u>
<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
\$ 748	\$ 721	\$ 707	\$ 672	\$ 639	\$ 647
9.35%	9.60%	9.45%	9.39%	8.90%	8.27%

CITY OF ARNOLDS PARK
NOTES TO OTHER INFORMATION - PENSION LIABILITY
YEAR ENDED JUNE 30, 2020

Changes of Benefit Terms

There are no significant changes in benefit terms.

Changes of Assumptions

The 2018 valuation implemented the following refinements as a result of a demographic assumption study dated June 28, 2018:

- Changed mortality assumptions to the RP-2014 mortality tables with mortality improvements modeled using Scale MP-2017.
- Adjusted retirement rates.
- Lowered disability rates.
- Adjusted the probability of a vested Regular member electing to receive a deferred benefit.
- Adjusted the merit component of the salary increase assumption.

The 2017 valuation implemented the following refinements as a result of an experience study dated March 24, 2017:

- Decreased the inflation assumption from 3.00% to 2.60%.
- Decreased the assumed rate of interest on member accounts from 3.75% to 3.50% per year.
- Decreased the discount rate from 7.50% to 7.00%.
- Decreased the wage growth assumption from 4.00% to 3.25%.
- Decreased the payroll growth assumption from 4.00% to 3.25%.

The 2014 valuation implemented the following refinements as a result of quadrennial experience study:

- Decreased the inflation assumption from 3.25% to 3.00%.
- Decreased the assumed rate of interest on member accounts from 4.00% to 3.75% per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Reduced retirement rates for sheriffs and deputies between the ages of 55 and 64.
- Moved from an open 30-year amortization period to a closed 30-year amortization period for the UAL beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20-year period.

CITY OF ARNOLDS PARK
SCHEDULE OF INDEBTEDNESS
YEAR ENDED JUNE 30, 2020

OTHER INFORMATION (UNAUDITED)

<u>Obligation</u>	<u>Date of Issue</u>	<u>Interest Rates</u>	<u>Amount Originally Issued</u>
General Obligation Capital Notes:			
Essential corporate purpose	October 8, 2014	2.00 - 4.00%	\$1,285,000
Essential corporate purpose	June 15, 2017	1.75 - 3.00%	950,000
General Obligation Refunding Bonds (paid from TIF Fund transfers):			
Essential corporate purpose	March 29, 2012	1.5% - 2.1%	3,515,000
Essential corporate purpose	June 2, 2014	2.00% - 3.13%	2,045,000
Essential corporate purpose	April 6, 2016	1.75% - 2.75%	2,405,000
Essential corporate purpose	April 6, 2016	2.00%	1,155,000
General Obligation Refunding Bonds (paid from Water Fund transfers):			
Essential corporate purpose	June 2, 2014	2.00% - 4.00%	4,340,000
General Obligation Refunding Notes (paid from Water, TIF and taxes)			
Essential corporate purpose	September 26, 2019	3.00%	6,285,000
TOTAL			

<u>Balance Beginning of Year</u>	<u>Issued During Year</u>	<u>Redeemed During Year</u>	<u>Balance End of Year</u>	<u>Interest Paid</u>	<u>Interest Due and Unpaid</u>
\$ 1,235,000		\$1,235,000	\$ -	\$ 15,208	
775,000		60,000	715,000	19,428	
1,385,000		290,000	1,095,000	25,575	
1,455,000		1,455,000	-	12,292	
2,355,000		20,000	2,335,000	55,044	
825,000		125,000	700,000	16,500	
3,355,000		3,355,000	-	35,244	
<u>-</u>	<u>\$6,285,000</u>	<u>435,000</u>	<u>5,850,000</u>	<u>128,319</u>	<u>-</u>
<u>\$11,385,000</u>	<u>\$6,285,000</u>	<u>\$6,975,000</u>	<u>\$10,695,000</u>	<u>\$307,610</u>	<u>-</u>

CITY OF ARNOLDS PARK
SCHEDULE OF RECEIPTS BY SOURCE AND DISBURSEMENTS BY FUNCTION -
ALL GOVERNMENTAL FUNDS
FOR THE LAST TEN YEARS

OTHER INFORMATION (UNAUDITED)

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
RECEIPTS:				
Property tax	\$ 1,313,593	\$1,336,255	\$1,274,163	\$1,232,302
Tax increment financing	836,778	871,096	848,929	696,996
Other city taxes	1,058,660	860,147	711,229	676,185
Licenses and permits	35,361	36,712	31,833	33,798
Use of money and property				
Intergovernmental	179,246	180,058	165,712	186,203
Charges for services	393,359	399,029	408,130	376,810
Special assessments				
Miscellaneous	<u>209,219</u>	<u>311,387</u>	<u>265,742</u>	<u>390,895</u>
 TOTAL RECEIPTS	 <u>\$ 4,026,216</u>	 <u>\$3,994,684</u>	 <u>\$3,705,738</u>	 <u>\$3,593,189</u>
 DISBURSEMENTS:				
Operating:				
Public safety	\$ 793,601	\$ 744,808	\$ 683,395	\$ 684,847
Public works	784,114	585,883	533,906	507,720
Culture and recreation	240,538	235,604	215,995	225,689
Community and economic development	285,198	298,847	238,754	198,497
General government	486,581	410,966	406,678	466,115
Debt service	7,319,829	1,143,253	1,188,217	1,020,716
Capital projects	<u>165,710</u>	<u>651,811</u>	<u>705,045</u>	<u>728,195</u>
 TOTAL DISBURSEMENTS	 <u>\$10,075,571</u>	 <u>\$4,071,172</u>	 <u>\$3,971,990</u>	 <u>\$3,831,779</u>

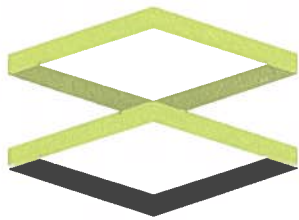
<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
\$1,151,591	\$1,130,784	\$1,026,595	\$1,009,177	\$ 1,000,620	\$ 862,379
758,399	777,179	779,586	865,468	759,247	919,553
648,666	632,164	584,408	558,313	551,598	526,895
28,209	22,949	17,003	23,340	18,544	21,598
		2,748	2,823	12,506	18,843
159,927	143,186	579,263	231,099	1,574,196	608,111
344,971	341,996	339,721	319,960	292,874	293,896
<u>1,560,302</u>	<u>194,312</u>	<u>150,351</u>	<u>139,380</u>	<u>249,118</u>	<u>543,539</u>
<u>\$4,652,065</u>	<u>\$3,242,570</u>	<u>\$3,479,675</u>	<u>\$3,149,560</u>	<u>\$ 4,458,703</u>	<u>\$3,794,814</u>

\$ 712,750	\$ 650,613	\$ 698,904	\$ 767,222	\$ 586,031	\$ 659,414
521,902	415,160	521,709	438,903	432,711	423,369
189,787	176,834	175,114	163,740	161,668	144,968
193,902	181,270	174,876	174,710	140,392	148,160
468,983	534,520	480,080	417,018	456,414	480,113
2,248,377	1,998,425	6,904,348	1,238,575	4,555,150	2,837,589
<u>1,036,077</u>	<u>577,469</u>	<u>876,670</u>	<u>2,083,563</u>	<u>4,385,391</u>	<u>708,999</u>
<u>\$5,371,778</u>	<u>\$4,534,291</u>	<u>\$9,831,701</u>	<u>\$5,283,731</u>	<u>\$10,717,757</u>	<u>\$5,402,612</u>

CITY OF ARNOLDS PARK
COMBINING SCHEDULE OF CASH TRANSACTIONS
GENERAL FUND
YEAR ENDED JUNE 30, 2020

OTHER INFORMATION (UNAUDITED)

	<u>Operating</u>	<u>Special Electric</u>	<u>Equipment Revolving</u>	<u>Investment Fund</u>	<u>Total</u>
RECEIPTS:					
Property tax	\$ 1,157,459	\$ -	\$ -	\$ -	\$ 1,157,459
Other city tax	1,058,660	-	-	-	1,058,660
Licenses and permits	35,361	-	-	-	35,361
Intergovernmental	34,512	-	-	-	34,512
Charges for service	393,359	-	-	-	393,359
Miscellaneous	61,528	17,409	15,730	-	94,667
TOTAL RECEIPTS	<u>2,740,879</u>	<u>17,409</u>	<u>15,730</u>	<u>-</u>	<u>2,774,018</u>
DISBURSEMENTS:					
Operating:					
Public safety	714,954	-	78,647	-	793,601
Public works	473,809	-	173,555	-	647,364
Culture and recreation	240,538	-	-	-	240,538
Community and economic development	285,198	-	-	-	285,198
General government	486,581	-	-	-	486,581
TOTAL DISBURSEMENTS	<u>2,201,080</u>	<u>-</u>	<u>252,202</u>	<u>-</u>	<u>2,453,282</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER (UNDER) DISBURSEMENTS	539,799	17,409	(236,472)	-	320,736
OTHER FINANCING SOURCES (USES)	<u>(569,000)</u>	<u>(17,068)</u>	<u>(33,916)</u>	<u>-</u>	<u>(619,984)</u>
CHANGE IN CASH BALANCES	(29,201)	341	(270,388)	-	(299,248)
CASH BALANCES - BEGINNING OF YEAR	<u>771,549</u>	<u>18,756</u>	<u>467,689</u>	<u>-</u>	<u>1,257,994</u>
CASH BALANCES - END OF YEAR	<u>\$ 742,348</u>	<u>\$ 19,097</u>	<u>\$ 197,301</u>	<u>\$ -</u>	<u>\$ 958,746</u>



WINTHER STAVE & CO | LLP
Certified Public Accountants

1316 West 18th Street
P.O. Box 175
Spencer, Iowa 51301-0175
Phone 712-262-3117
FAX 712-262-3159

www.winther-stave.com

1004 21st Street #4
P.O. Box 187
Milford, Iowa 51351-0187
Phone 712-338-2488
FAX 712-338-2510

**INDEPENDENT AUDITORS' REPORT ON
INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

The Honorable Mayor and
Members of the City Council
City of Arnolds Park
Arnolds Park, IA 51331

We have audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, and each major fund of the primary government of the City of Arnolds Park, Iowa as of and for the year ended June 30, 2020, and the related Notes to Financial Statements, which collectively comprise the basic financial statements of the City's primary government, and have issued our report thereon dated December 8, 2020. Our report expressed unmodified opinions on the primary government financial statements which were prepared on the basis of cash receipts and disbursements, a basis of accounting other than accounting principles generally accepted in the United States of America.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Arnolds Park's internal control over financial reporting to determine the auditing procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings, we identified a certain deficiency in internal control over financial reporting we consider to be a material weakness.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to

prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the City's financial statements will not be prevented or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control described in Part I of the accompanying Schedule of Findings as item I-A-20 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Arnolds Park's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2020 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

City of Arnolds Park's Responses to Findings

The City's responses to findings identified in our audit are described in the accompanying Schedule of Findings. The City's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Arnolds Park during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Wintner, Starn & Co., LLP

December 8, 2020
Spencer, Iowa

CITY OF ARNOLDS PARK
SCHEDULE OF FINDINGS
FOR THE YEAR ENDED JUNE 30, 2020

Part I: Findings Related to the Financial Statements

Internal Control Deficiency:

I-A-20 Segregation of Duties

Criteria - Management is responsible for establishing and maintaining internal control. A good system of internal control provides for adequate segregation of duties so no one individual handles a transaction from its inception to completion. In order to maintain proper internal control, duties should be segregated so the authorization, custody and recording of transactions are not under the control of the same employee. This segregation of duties helps prevent losses from employee error or dishonesty and maximizes the accuracy of the City's financial statements.

Condition - The cash receipts listing, bank deposits, and the posting of cash receipts to the cash receipts journal are done by the same person.

Cause - The City has a limited number of employees and procedures have not been designed to adequately segregate duties or provide compensating controls through additional oversight of transactions and processes.

Effect - Inadequate segregation of duties could adversely affect the City's ability to prevent or detect and correct misstatements, errors, or misappropriation on a timely basis by employees in the normal course of performing their assigned functions.

Recommendation - The City should review its control activities to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including elected officials.

Response - We have separated certain duties among our limited staff and have an outside person reviewing cash receipts and bank statements quarterly. We will continue to review our procedures for ways to improve internal controls.

Conclusion - Response accepted.

Instances of Noncompliance:

No matters were reported.

CITY OF ARNOLDS PARK
SCHEDULE OF FINDINGS - Continued
FOR THE YEAR ENDED JUNE 30, 2020

Part II: Other Findings Related to Statutory Reporting

- II-A-20 Certified Budget - Disbursements in the public safety and debt service functions exceeded the amount budgeted prior to the budget amendment. Chapter 384.20 of the Code of Iowa states, in part, "Public monies may not be expended or encumbered except under an annual or continuing appropriation."

Recommendation - The budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response - The budget will be amended in the future, if applicable.

Conclusion - Response accepted.

- II-B-20 Questionable Disbursements - We noted no expenditures that did not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

- II-C-20 Travel Expense - No expenditures of City money for travel expenses of spouses of City officials or employees were noted.

- II-D-10 Business Transactions - Business transactions between the City and City officials or employees are detailed as follows:

<u>Name, Title, and Business Connection</u>	<u>Description</u>	<u>Amount</u>
Walker Insurance Agency, owner is spouse of a City employee	Notary renewal	\$ 109

In accordance with Chapter 362.5(3)(j) of the Code of Iowa, the insurance transaction does not appear to represent a conflict of interest since the transaction was less than \$6,000 during the fiscal year.

- II-E-20 Restricted Donor Activity - No transactions were noted between the City, City officials, City employees, and restricted donors in compliance with Chapter 68B of the Code of Iowa.

- II-F-20 Bond Coverage - Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that the coverage is adequate for current operations.

CITY OF ARNOLDS PARK
SCHEDULE OF FINDINGS - Continued
FOR THE YEAR ENDED JUNE 30, 2020

Part II: Other Findings Related to Statutory Reporting - Continued

- II-G-20 Council Minutes - No transactions were found that we believe should have been approved in the Council minutes but were not.
- II-H-20 Deposits and Investments - We noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy.
- II-I-20 Revenue Notes - The City had no revenue notes outstanding during the year.
- II-J-20 Urban Renewal Annual Report - The FY2019 urban renewal annual report was approved and certified to the Iowa Department of Management on or before December 1.
- II-K-20 Urban Renewal Tax Reconciliation - We noted Dickinson County had not prepared and could not provide the City with a required Urban Renewal Area TIF Indebtedness/Increment Tax Reconciliation.

Recommendation - Since the County has not prepared the reconciliation, the City should expand procedures to monitor TIF obligations, certification, and reporting requirements.

Response - We will continue to monitor our TIF obligations, certifications, and reporting requirements.

Conclusion - Response accepted.